

CHAPTER 5

ADVANCE AND PROSPECTIVE PAYMENTS

Introduction

This chapter provides the instructions and documents required for a local agency to request an advance and/or a prospective payment. It also describes what an advance/prospective payment may be used for and how to liquidate these payments. Attachment 5-1 is a comparison chart of the prospective and advance payment.

I. REGULATIONS AND REQUIREMENTS

Program Regulations

The State Health and Safety Code Section 38080 (Prospective Payment) and Section 100350 (Advance Payment) prescribe strict compliance with issuance and liquidations of prospective and advance payments.

Payment Provisions

The Advance/Prospective Payment provisions are found in Exhibit B, Provision 15 and Exhibit E, Provision 5 in the contract. Refer to CMB Glossary for definitions.

Restrictions

No advance or prospective payment will be issued until the **prior year** advance and/or prospective payments, if any, have been **fully liquidated** or repaid in full by the local agency.

Events of Default

If there is an occurrence of an event of default, as listed in the contract, Exhibit B, Provision E, the State WIC Branch may, at its discretion, notify the local agency in writing of the withholding of further payments or demand immediate repayment of the unliquidated balance of the advance/prospective payment.

II. ADVANCE PAYMENT

Eligibility

An advance payment is available:

- After the execution of the contract.
- To a **private nonprofit agency** with demonstrated cash-flow problems.
- To a local agency with a budget of less than \$200,000 for each budget period of the contract.

Requirements for Use of Funds

Advance payment funds shall be used solely for costs incurred to carry out the WIC program.

Advance payment funds must be deposited into a separate interest-bearing bank account where the advance payment funds and all other payments under the contract shall be maintained. No part of the funds in the separate bank account shall be mingled with other funds of the local agency not obtained through the contract. Each withdrawal from the account shall be made only by the local agency check(s) for costs in providing WIC Services.

Interest earned shall be reported by the local agency and returned to the State WIC Branch within fifteen (15) working days following the local agency receipt of the final payment for the budget period.

Each check or warrant returning the interest earned shall:

- Be made payable to Department of Health Services-WIC
- Have the contract number clearly posted on the check

Have the following clearly written on the face of the check "Interest earned on WIC advance payment account".

How to Request an Advance Payment

Write a letter (An example is Attachment 5-2 of this chapter) on local agency letterhead to the State WIC Branch requesting an advance payment. The letter must include:

- the local agency contract number;
- the specific amount requested (up to one month average for budget period);
- a statement identifying the local agency's cash-flow problem;
- the original signature (in blue ink) of either the Agency Director or the PWPC (designee cannot sign).

If an advance payment is to be requested, the request letter should be submitted with the local agency's completed Funding Application.

The advance payment request letter, if approved, serves as the invoice and is submitted to the Department of Health Services (DHS) Accounting Section for processing, and then to the State Controller's Office (SCO) for payment issuance.

Required Documents

The following documents must be enclosed with the advance payment letter:

- An original bank letter of agreement,
 - bank signature cards (two sets) with the Agency Director or PWPC original signature,
 - certificates of insurance for:
 - general liability (Exhibit E, Provision 5),
 - fidelity bond payable to the State WIC Branch in the amount of the advance, and
 - medical malpractice insurance (if applicable) payable to the State WIC Branch.
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- documentation of private nonprofit status, submit a copy of one of the following:
 - form showing tax exempt status from Franchise Tax Board, or
 - form showing small business designation from the Department of General Services (if applicable).

Note: All required documents must be received by the State WIC Branch before review processing can begin. Submitting an advance payment request does not guarantee an advance payment issuance. The State WIC Branch reserves the right to deny any request and may defer or disapprove an advance payment request. The State WIC Branch will notify the local agency of the acceptance or denial of the advance payment request.

Where to Submit

Submit your request and the required documents to the State WIC Branch:

Women, Infants, and Children
Supplemental Nutrition Branch
Financial Management Reporting Section
3901 Lennane Drive
Sacramento, CA 95834
Attention: Local Agency Fiscal Unit

When to Liquidate

In the two months immediately proceeding the last month of each budget period, the advance payment shall be fully liquidated unless an alternate plan has been approved by the State WIC Branch.

The local agency may request an alternate liquidation schedule. The request must be in writing and is subject to approval by the State WIC Branch.

If billing monthly, the local agency shall make the reimbursement by check or offset the payment by reducing each invoice by fifty percent (50%) of the unpaid amount. If billing quarterly, the advance payment must be fully liquidated by the end of the 3rd quarter (June 30th).

The State WIC Branch may demand full repayment of the unliquidated balance payment at any time. Upon receipt of the demand, the local agency shall repay the amount by the due date stated in the demand.

The State WIC Branch, without prior notice to the local agency, may liquidate the unliquidated balance by offsetting the amount from any outstanding invoice or from any other sums which may become due to the local agency from the State.

III. PROSPECTIVE PAYMENT

Eligibility

A prospective payment is available:

- Only in the first budget period of the contract term prior to the execution of the contract (i.e., first year of three year contract.)
- To **local government** and **private nonprofit agencies** with demonstrated cash-flow problems.

Requirement for Use of Funds

A prospective payment shall be used solely for costs incurred to carry out the WIC program.

- Prospective payment funds must be deposited into a separate interest-bearing bank account where the prospective payment funds and all other payments under the contract shall be maintained.

No part of the funds in the separate bank account shall be mingled with other funds of the local agency not obtained through the contract. Each withdrawal from the account shall be made only by the local agency check(s) for costs in providing WIC Services.

Interest earned shall be reported by the local agency and returned to the State WIC Branch within fifteen (15) working days following the local agency receipt of the final payment for the budget period.

Each check or warrant returning the interest earned shall:

- Be made payable to Department of Health Services-WIC.
- Have the contract number clearly posted on the check.

Have the following clearly written on the face of the check "Interest earned on WIC prospective payment account".

How to Request a Prospective Payment

The local agency may request up to 3 prospective payments, each for 1/12 of the maximum payable amount for the budget period, not to exceed 25% of the maximum payable amount for the budget period. One request may be submitted each month. The local agency shall write a letter (An example is Attachment 5-3 of this chapter) on Local Agency letterhead to the State WIC Branch requesting a prospective payment. The letter must include:

- the local agency contract number;
 - the specific amount requested;
 - A statement identifying the local agency's cash-flow problem;
 - A statement that the local agency understands that, in the event the contract is not fully executed, the local agency will be required to repay the **total** prospective payment received.
 - The original signature(in blue ink) of either the Agency Director or the PWPC (Designee cannot sign);
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If a prospective payment is to be requested, the request letter should be submitted with the local agency's completed Funding Application.

The prospective payment request letter, if approved, serves as the invoice and is submitted to the Department of Health Services (DHS) Accounting Section for processing, and then to the State Controller's Office (SCO) for payment issuance.

Where to Submit

Submit your request and the required documents to the State WIC Branch:

Women, Infants, and Children
Supplemental Nutrition Branch
Financial Management Reporting Section
3901 Lennane Drive
Sacramento, CA 95834
Attention: Local Agency Fiscal Unit

When to Liquidate

In the two months immediately proceeding the last month of each budget period, the prospective payment shall be fully liquidated unless an alternate plan has been approved by the State WIC Branch.

The local agency may request an alternate liquidation schedule. The request must be in writing and is subject to approval by the State WIC Branch.

If billing monthly, the local agency shall make the reimbursement by check or offset the payment by reducing each invoice by fifty percent (50%) of the unpaid amount. If billing quarterly, the prospective payment must be fully liquidated by the end of the 3rd quarter (June 30th).

The State WIC Branch may demand full repayment of the unliquidated balance payment at any time. Upon receipt of the demand by the State WIC Branch, the local agency shall repay the amount by the due date stated in the demand.

The State WIC Branch, without prior notice to the local agency, may liquidate the unliquidated balance by offsetting the amount from any outstanding invoice or from any other sums which may become due to the local agency from the State WIC Branch.

IV. ATTACHMENTS

Attachments

Attachments for Chapter 5 to follow this page.

PROSPECTIVE AND ADVANCE PAYMENTS COMPARISON CHART

Condition	Prospective Payment	Advance Payment
Which type of local agency may receive payment	Local government and private nonprofit agencies	Only private nonprofit agencies with a budget of less than \$200,000 per budget period
When available	First budget period only, prior to contract execution, on or after effective date of contract	Each budget period, after contract execution, on or after effective date of contract
Amount of each payment	Up to 1/12 th per month, not to exceed 25% of the first budget period of the contract.	Maximum of one-month pro-rata share of the budget period, not to exceed 25% of the budget period.
Number of payments available	Up to three payments	One payment only
Required documents	<ul style="list-style-type: none"> • Letter • bank letter of agreement • bank cards (two sets) • certificate of insurance • documentation of private non-profit status 	<ul style="list-style-type: none"> • Letter • bank letter of agreement • bank cards (two sets) • certificates of insurance • documentation of private nonprofit status
Liquidation	<p><u>If billing monthly</u>, liquidated no later than, in the two months immediately proceeding the last month of the first budget period.</p> <p><u>If billing quarterly</u>, the prospective payment must be liquidated by the end of the 3rd quarter (June 30th)</p>	<p><u>If billing monthly</u>, liquidated no later than, in the two months immediately preceding the last month of each budget period. <u>If billing quarterly</u>, the advance payment must be liquidated by the end of the 3rd quarter (June 30th)</p>
<p>Note: <u>Multiple</u> or any <u>combination</u> of advance and one or more prospective must be liquidated in the four to six months immediately preceding the last month of the first budget period.</p>		

EXAMPLE OF LETTER REQUESTING AN ADVANCE PAYMENT

LOCAL AGENCY LETTERHEAD (with local agency name and address)

Date

_____, Chief
Local Agency Fiscal Unit
WIC Supplemental Nutrition Branch
3901 Lennane Drive
Sacramento, CA 95834

Dear _____:

The purpose of this letter is to request an advance payment for federal fiscal year YYYY-YY on contract number XX-XXXXX. We are requesting \$XX,XXX, which is equal to or less than a one-month pro rata share of the budget period. This letter serves as our invoice for the requested funds.

Due to this agency's current cash-flow problems, this advance payment is necessary to ensure that our WIC program services are not delayed due to a lack of funds.

Enclosed you will find the following required documents:

- bank letter of agreement
- bank cards (two sets)
- Certificate of insurance
- documentation of private non-profit status

This letter shall also serve as formal acceptance of caseload and funding allocation to be awarded to our agency. I understand that the funding allocation is not subject to dispute. If you have any questions, please contact XXXXXXXXXXXX at (XXX) XXX-XXXX.

Sincerely,

Name
Title

Enclosures

EXAMPLE OF LETTER REQUESTING A PROSPECTIVE PAYMENT

LOCAL AGENCY LETTERHEAD

(with local agency name and address)

Date

[REDACTED], Chief
Local Agency Fiscal Unit
WIC Supplemental Nutrition Branch
3901 Lennane Drive
Sacramento, CA 95834

Dear [REDACTED],

The purpose of this letter is to request a prospective payment for federal fiscal year YYYY-YYYY on contract number XX-XXXXX. We are requesting \$XX,XXX, which is equal to or less than 1/12th per month of the budget period, not to exceed 25% of the first budget period. This letter serves as our invoice for the requested funds.

Due to this agency's current cash-flow problems, this prospective payment is necessary to ensure that our WIC program services are not delayed due to a lack of funds.

Enclosed you will find the following required documents:

- bank letter of agreement
- bank cards (two sets)
- Certificate of insurance
- documentation of private non-profit status

This letter shall also serve as formal acceptance of caseload and funding allocation awarded to our agency. I understand that the funding allocation is not subject to dispute.

I also understand that, in the event this contract is not fully executed, for whatever reason, this prospective payment will be repaid in full. If you have any questions, please contact XXXXXXXXXXXX at (XXX) XXX-XXXX.

Sincerely,

Name
Title

Enclosures